

**Written Testimony for U.S.
House of Representatives Committee on Energy
and Commerce's Subcommittee**

Richard Riedel – November 17, 2005

I am Richard Riedel, Executive Director of the Kentucky Racing Health and Welfare Fund, Inc. I have been asked to explain how the Fund receives its funding, how our income is dispensed, to whom, and the methods by which the Fund is administered, as well as our relationship with the Kentucky H.B.P.A. and other racing associations in Kentucky.

I would like to start by explaining our funding mechanism and advance from there.

The payment of revenue from Kentucky Thoroughbred uncashed pari-mutuel tickets to the Kentucky Racing Health and Welfare Fund, Inc. was established by the Kentucky General Assembly in 1978 to provide health and welfare benefits to Kentucky's Thoroughbred industry. We are not a state agency; however we do function within the perimeters of Kentucky Revised Statute 230.374. We are limited by the scope of this statute and strive on a daily basis to uphold the letter and intent of the law.

I am going to paraphrase from the statute; which will explain how we are funded and what we can provide and to whom.

1. All net uncashed Thoroughbred racing tickets reported to the Kentucky Horse Racing Authority shall be paid to the Kentucky Racing Health and Welfare Fund, Inc.
2. The Kentucky Racing Health and Welfare Fund is a non-profit charitable corporation.
3. It is organized for the benefit, aid, assistance and relief of Thoroughbred owners, trainers, jockeys, valets, exercise riders, grooms, stable attendants, pari-mutuel clerks, and other thoroughbred racing personnel employed in connection with racing, and their spouses and children.

4. These individuals must demonstrate their need for financial assistance connected with death, illness, or off-the-job injury.
5. The assistance that these individuals receive may not be otherwise covered by union health and welfare plans, worker's compensation, Social Security, public welfare, or any type of health, medical, death, or accident insurance.
6. The Fund shall receive payment on or before December 31 provided that the Kentucky Horse Racing Authority and the Kentucky State Auditor's office are satisfied that the Fund is in all respects being operated for the charitable and benevolent purposes set forth in this section.

The Fund has always received the annual payment provided in the statute.

As stated earlier, we are a Kentucky non-profit charitable corporation and under the leadership of our Board of Directors, whose members generously donate their expertise and time, the Fund has developed a number of innovative health and welfare benefits and a compassionate set of guidelines by which they are administered.

Currently the make up of the Board is:

Mr. Don Ball, Chairman. Mr. Ball is the appointee of the Chairman of the Kentucky Horse Racing Authority. He is a successful Lexington homebuilder, long time racehorse owner and breeder, and philanthropist. He has been on the Board 17 years.

Mrs. Susan Bunning, Vice Chairman. Mrs. Bunning serves on the Board via her position as the President of the Kentucky H.B.P.A. She is a lawyer for a large regional bank dealing in equine related matters, and is a third generation horsewoman. She has been on the Board since June 2002.

Mr. Dale Romans, Treasurer. Mr. Romans serves on the Board via his position as the Vice President of the Kentucky H.B.P.A. He is a second generation horseman and as of the end of October was the 9th leading trainer in purses earned in the United States. He also has been on the Board since June 2002.

Mrs. Carol Hebel, Secretary. Mrs. Hebel is the Governor of Kentucky's appointment to our Board. She is a prominent Louisville realtor, 2nd generation owner and breeder, and past president of the Louisville Orchestra and Kentucky Derby Festival. She has been on the Board since June 2002.

Dr. Randy Scheen, Member. Dr. Scheen is a prominent Louisville Dermatologist and long time race horse owner who regularly donates his time at the health fairs held on the backstretches of Kentucky's racetracks each year. He joined the Board in 2004.

The organization strives to be transparent while leaving a lengthy paper trail of its activities. The Board meets at least four times a year, minutes of each meeting are taken and submitted to Board members prior to the next meeting. They are then reviewed and voted on at the next meeting. The minutes are open for public review and are kept in the top drawer of a file cabinet on the right as you enter my office. Each year's minutes are bound in black binders.

We are as financially prudent as possible. We have a check signing policy. Board members are sent copies of monthly bank statements, monthly activity reports and quarterly activity reports. They are also sent case summaries every two weeks.

We are audited annually by an independent auditor and submit our audit to the Kentucky Horse Racing Authority.

We have a policy of sending out an RFP every five years to various investment firms to determine who will manage our accounts. We meet regularly with the regional Director of Investments of our portfolios. We also retain an independent financial advisor to monitor our investment's performance on an annual basis.

Over the years the Board has developed a guideline manual that contains all of the standards of eligibility and benefit allowances and limitations. This manual is referred to on a daily basis by staff to determine eligibility for requests for assistance.

We do much more than just pay medical bills. Our staff is compassionate and dedicated, two of whom are bi-lingual. All execute their duties with respect, dignity and humanity while attending to the needs of our clients, medical providers, and other agencies. We have offices located at Kentucky's racetracks, namely: Churchill Downs, Keeneland, Ellis Park, Turfway Park, and The Thoroughbred Center, a large training center which is owned by Keeneland.

Our staff assists with the completion of the application process and authenticates the client's participation in racing by verifying their Kentucky racing license and compensation. Once satisfied that the individual is eligible, staff then makes an appointment with the medical professional that is needed, be it the client's own medical

professional or a Fund referred professional. Our staff is involved in arranging aftercare and prescription medication for the clients. In most cases, the patient receives treatment and pays nothing, with the medical provider invoicing the Fund. We generally pay providers within two weeks of being invoiced.

The Fund also assists those who have already incurred medical charges but do not have the resources for payment. We also reimburse the clients who have used medical services that demanded payment at the time of service. Any request for assistance that exceeds \$4,500 is reviewed by the Board prior to payment being made. Our policy is to return all phone calls the same day that they are received and to respond to written letters within five working days.

I have been a lifelong fan of horseracing, attending the races for the first time when I was eight years old. I have been the Executive Director of the Fund for 18 years, following a career of five years as a full time stable employee, five years as a Thoroughbred race horse trainer, and five years as an administrative assistant with the Kentucky H.B.P.A. Along the way I earned an ABA in Business Administration, have been happily married for 29 years, and raised a lovely daughter who worked her way through college while working in the racing industry.

When I was asked to serve as the Executive Director of the Fund in 1987 the maximum benefit available for any one individual on an annual basis was 50% of the medical charges up to \$4,000. At the time we did not assist in making doctor and dental appointments for the clients. All prescriptions had to be purchased by the client, who then sought reimbursement.

Currently our annual maximum benefit is up to \$20,000, with up to an additional \$5,000 for continuing medication in chronic cases. Most incurred medical charges under that amount are paid at 100 percent. It has been personally fulfilling to witness this organization mature and bring to fruition the promise for which the Fund was created.

For Fiscal Year 2004 the Fund received \$2.7 million in uncashed tickets. During that year the Fund spent \$2.2 million dollars in health related benefits, granted \$500,000 for the Kentucky Race Track Retirement Trust, while spending \$522,000 for the Fund's administration and an additional \$17,000 for the Retirement Plan administration.

In total, the Fund spent \$3.6 million, primarily for health related and retirement benefits. In addition, staff was able to negotiate down or redirect an additional \$587,000 in medical charges that would have otherwise been paid out by the Fund and \$178,000 that would have been the responsibility of our clients for payment.

I have an exhibit that shows every disbursement for a health related benefit made in 2004. Here you will find the approved requests of approximately 1,024 individuals who contacted us over 4,400 times while submitting approximately 10,000 invoices for payment. Of those 4,400 approved and paid contacts, 3,700 or 83 percent were stable employees, the largest working class and those in the greatest need at any race track. Staying in compliance with HIPAA requirements, the names of all individuals and their Social Security numbers have been blacked out.

In addition to our popular health and retirement programs, we participate in several other programs:

- * The Fund provides majority funding for a drug and alcohol counseling program, the Thoroughbred Addiction Council of Kentucky or otherwise known as TACK. It owns its own sober living facility, the Concord House, located within a two minute walk of Churchill Downs. The Fund's Board of Directors was the originator of this project and the Fund has been the main financial supporter of TACK since 1989.

- * Six years ago we began a project in which we were the sponsors of what was to become The Old School Apartments. This was the conversion of a 100 year old elementary school into forty apartments for racetrack workers and others who are low income and who are at least 55 years of age or disabled. The facility also provides office space for the Fund, the Thoroughbred Addiction Council of Kentucky, the Kentucky H.B.P.A., and our Health Service Center. The site is located one block from Churchill Downs. In 2004 the building earned the Ida B. Willis Award, Kentucky's most prestigious historical preservation award.

- * Six years ago the Kentucky Race Track Retirement Plan was established by the Kentucky General Assembly. It is a defined contribution plan which is designed to benefit long term full time trainers, assistant trainers, and stable employees in Kentucky's Thoroughbred racing industry. As of December 31, 2004 the plan had 894 active members.

* The Kentucky Racing Health Service Center, which is a joint venture with the University of Louisville Schools of Nursing and Medicine and the Kentucky Racing Health and Welfare Fund, Inc. The Health Service Center is a clinical setting of approximately 3,000 square feet where medical services are provided for free, with a minimum of paperwork to the client, by medical professionals and students. This program averaged 8.8 clients per session during its first 6 months of operation. It is open three days a week. This is a program that we hope to duplicate at other Kentucky racing centers in an effort to promote healthier living and control medical related spending.

* We have an ongoing outreach program in which we provide bi-lingual newsletters delivered to all workers in each barn three times a year. We also publish a bi-lingual guideline summary and resource manual booklet that is distributed throughout each stable area and we provide bi-lingual signage of upcoming Fund sponsored events in each barn. We maintain an up-to-date website.

The Fund is also working, in conjunction with the chaplain at Keeneland, on a curriculum that would serve as an orientation program that will be held at the beginning of each race meet in Kentucky to acquaint new stable employees and horsemen to the various agencies and departments that are available at each particular track and the benefits that are available. This will also serve to reacquaint ourselves to those who have been on the track for a while. To my knowledge this will be the first such program of its kind in the country.

We have ongoing relationships with several organizations and associations in Kentucky racing such as:

* Kentucky Horse Racing Authority – We submit our annual audits to the Authority, I attend their monthly meetings and have made several presentations to this body concerning the Fund. We have had Authority members and representatives attend our meetings, which are always open to the public. We are in communication with the Authority's staff to verify current Kentucky license information and once a year they provide a complete list of the prior year's license information for trainers, assistant trainers, and stable employees which is vital in administering the Kentucky Race Track Retirement Plan.

* Kentucky H.B.P.A. – We have a close working relationship with this organization whose initials are well known throughout the entire racing community for their assistance to backstretch personnel and trainers. When a client reaches his maximum benefit with the Fund or for some reason is not eligible for benefits with the Fund his or her request is often referred to the H.B.P.A. They also provide assistance that the Fund does not provide such as: emergency housing, travel, and food assistance. We also work with other H.B.P.A. affiliates in our region to co-ordinate benefits for traveling clients who incur large medical invoices or have ongoing prescription medication needs when they are racing outside of Kentucky.

* The Kentucky Race Track Chaplaincy – There are four track chaplains in Kentucky and between them, the Fund's staff is in communication with one or more of them on a near daily basis. They walk the stable area everyday; they know the people and see their problems. They can often encourage a reluctant or unknowing individual to utilize our services with a heartfelt referral. In addition to spreading God's Word, they spread information regarding the Health and Welfare Fund.

* The Kentucky Thoroughbred Association – The KTA is one of two horsemen's organizations in Kentucky with whom we work closely and also has an interest in seeing that the Health and Welfare Fund benefits the backstretch workers for whom it is intended. Representatives of the KTA attend our Board meetings, display our brochures and newsletters in their field office, and their Executive Director is the vice-chairman of the Thoroughbred Addiction Council of Kentucky.

What follows are four abridged vignettes of how these organizations interfaced within the last four weeks:

* A tornado touched down at Ellis Park at 2:00 a.m. on Sunday, November 6, it destroyed 10 barns, part of the grandstand, and the joint office we share with the Kentucky H.B.P.A. I learned of the disaster about 8:30 a.m. I contacted Mr. Marty Maline, Executive Director of the Kentucky H.B.P.A., who was already in route to Ellis Park from his home in Northern Kentucky, about a 4 hour drive away. I asked him to contact me if there was an immediate need that the Fund could fulfill. Fortunately, only one stable employee living at the track was injured. The next day he called me from Ellis Park. He was standing with a stable employee who had been working at the track. He

was in need of regular prescription medications that the Fund had been purchasing for him for the past several years. Mr. Maline told me that the gentleman wanted to come to Louisville and he was arranging transportation for him. He had enough medication left to last him for a couple of days. While the Red Cross provided food and water, the H.B.P.A. provided a hotel room for the gentleman. The next day the chaplain from Ellis Park drove him to Churchill Downs, about a two hour drive. He came to our office and we authorized payment for his prescriptions which were filled at a nearby pharmacy. He has friends in Louisville that he is staying with and it is my understanding that he is now at Churchill Downs seeking employment. The Fund's representative at Ellis Park is now working out of the track kitchen on an as needed basis to help the displaced horsemen who are now training at Henderson, Kentucky area training centers.

* On October 25, a fire in a mobile home killed four children in Louisville. The parents, two separate families, of all four children were stable employees at Churchill Downs. The chaplain at Churchill Downs, representatives from the Kentucky H.B.P.A. and the Churchill Downs Racing Committee, as well as others from the racing community and the Louisville area, worked with the families, medical personnel, the coroner's office, and emergency authorities in translating and providing whatever assistance was needed. The Health and Welfare Fund staff stayed in communication throughout with the chaplain and the H.B.P.A. Local horsemen and business owners provided free hotel space for the families and then a free apartment with donations of furniture, clothing and food. A local funeral home donated its services, as did a cemetery for three of the children. The body of the fourth child was flown to Mexico for burial. The Fund's staff assisted in making international arrangements and guaranteed payment for the remains to be flown home and a headstone. We will assist with the funeral charges in Mexico. The Kentucky H.B.P.A. arranged for roundtrip airfare for the parents.

* During the last week of October, a former jockey, and now very experienced exercise rider, was thrown hard from a horse she was exercising at The Thoroughbred Center. She was galloping the horse on which she was injured in a "free lance" capacity. She was in and of consciousness for several days. One concerned horseman contacted me and asked if the Fund could provide assistance. Since it was work related the Fund could

not. One of his concerns was that the trainer of the horse did not have worker's compensation and that the trainer had shipped his horses out of Kentucky immediately after the accident. I told this horseman that I would try to find out if there was insurance. With the assistance of the Kentucky Horse Racing Authority and Keeneland's chaplain we were able to verify that the trainer did have insurance and secured the name of the company. This information was passed along to family members. The lady is now out of the hospital and in a Lexington rehabilitation center where she is relearning to walk.

* On October 20, a groom at Keeneland was about to be barred and ejected from the track for his inappropriate behavior when abusing alcohol. Working with track security, the chaplain, the TACK counselor at Keeneland, and the TACK counselor from Louisville, the gentleman elected to enter the TACK counseling program, a 13 month program of total abstinence. This arrangement was agreeable with track security and they sought no further action. The gentleman was allowed to retain his Kentucky racing license. The TACK counselor from Louisville transported him from Lexington to Louisville where he entered a detoxification program for 15 days. He was then enrolled in an Intensive Outpatient Program and became a resident at the Concord House, our transitional sober living facility. Two days after entering the Concord House he secured employment at Churchill Downs while continuing IOP classes and AA meetings. This was all done at no cost to the client.

The backstretch of a racetrack is a magical and complex place. It is a highly dangerous workplace for both the skilled and the unskilled worker while being an active community which provides living quarters for many who cannot afford housing or would otherwise be homeless and unemployed as they cannot afford to travel with their jobs.

The redirection of a portion of our funding source to finance a part of the jockey's workers compensation insurance costs in Kentucky has been discussed lately. I feel that this would be unwise and very damaging to the backside employees, who are at the bottom of racing's economic scale. Our funding is threatened already.

For the Fund to be able to perpetuate our mission of helping the most economically challenged of Kentucky's Thoroughbred racetrack worker with a variety of programs that increase their standard of living and quality of life, which ultimately provides an established and healthy workforce, the administration of the Fund must stay focused on

soaring medical costs, diverse demands for our services through changing medical technology, modulations in the work force on Kentucky's backstretches, changing state and federal laws, and the tightening budgets of other charities and public and private agencies.

We monitor with uncertainty the unpredictable revenue source from which we operate; fueled by reports of substantial declines in the pari-mutuel wagering in Kentucky, advancements in electronic wagering, slots and/or casino gambling in Indiana, and West Virginia; and the speculation of alternative forms of gambling in Kentucky, all of which may further reduce our source of revenue.

Thank you for this opportunity.